

To: Honorable Members  
State of Michigan  
Senate Economic Development Committee

From: Friedland Industries, Inc.  
Lansing, Michigan

RE: Regarding Senate Substitute House Bill No. 4593

We are testifying before the Senate Economic Development Committee regarding proposed amendments to the Non-Ferrous Metal Regulatory Act, Act 429 of 2008 intended to help curb metal theft *by adding further restrictions and regulations to the metal recycling markets and its participants. As you are well aware, metal recycling is indispensable to both the national and international economies and their environments.*

We and our colleagues support many new features of the pending bill that strengthen law enforcement, but also urge substitution by replacing the proposed 3-day delayed customer payment restriction of certain items with transaction reporting to law enforcement of those items purchased. This will serve to strengthen law enforcement opportunities by providing additional contemporaneous information, and at the same time avoid costly and ineffective regulations of small businesses, who are *and have for decades been critical elements of law enforcement.*

As you know, we have been working in good faith on this issue with the Governor's office, as well as the State House, and now the Senate, for over two and a half years. We and our colleagues have patiently but consistently explained to well-meaning legislative staff why one particular idea not only *won't stop crime*, but will unnecessarily and unavoidably damage *honest and hard-working individuals and small businesses*. We understand the problem and we have and will continue to help prevent metal theft in the future.

There are a couple of issues in the current draft that require change:

**A 3-day waiting period to pay our customers on three specific scrap items.**

- Since legislation was enacted in 2008, a *seven-day* hold period on specific items has had minimal effect because law enforcement has not effectively been able to utilize this restriction. To think that a 3-day delayed payment period would be effective is illogical. The delayed payment period would only serve to:
  - Punish the vast majority of our customers, who are law-abiding and working hard to make a living each and every day;
  - Burden our businesses by adding additional expenses, after many of us have already spent millions of dollars accommodating the very recent 2008 legislation (i.e. in house ATM's, software, computer programs, and the like);
  - Force our customers to wait three days to be paid, many of whom will be adversely affected;

- Require metal recyclers to either mail these customers checks or make electronic payments each day of the week, in addition to the purchase three days earlier. Our cost, per check will include: check stock; employee time to process, including printing, stuffing checks into envelopes; cost of printer and ink, power, stamps; lost or returned checks and investigation, a great increase of potential check fraud, and stop payments fees.

In the end, law enforcement gets nothing from the three-day payment hold, since dishonest metal dealers, who are in the business of ignoring and violating laws, certainly will not comply anyway, and police will be no closer to apprehending criminals.

**In the alternative, we and our colleagues urge the Committee to enhance this legislation by requiring an affordable, effective metal purchase reporting system such as is *already required by legislation in other states*, whereby scrap processors would *report the purchase of certain restricted items* (copper wire, air conditioners, condensers and compressors and catalytic convertors) to a live state database. This would afford the authorities the ability to track purchases and trends on-line, and directly enhance prompt apprehension and conviction of criminals *without wasting legislation on an ineffective and costly 3-day payment requirement*.**

### **Warrantless Search**

On page 11 of the Senate substitute for House Bill No. 4593, language has been added that would allow any police officer to *demand* "on request" immediate access to records of any scrap metal dealer without any process whatsoever, without the necessity of a warrant, and prosecute a small business that does not comply! This recent change removes the existing "reasonable suspicion of a violation of this act" standard and introduces an offensive "on request" standard. Friedland's practice has always been to honor requests of law enforcement once we know there is an investigation. What has happened to some sort of DUE PROCESS?

**"On request" is arbitrary, capricious, and frankly, INSULTING to those of us who have spent our lives supporting our state and our communities in more ways than one could count.**

Additionally, this proposed modification has the potential effect of creating time consuming employee labor costs, and interference with our day to day business operations, even in cases where any individual in law enforcement decides to go on a "fishing expedition", without even a reasonable suspicion that information gained will be relevant to a criminal investigation.

Our industry is small by comparison to others, and as a result, perhaps not as politically influential as larger industries. Nevertheless, without our industry there would be no automobiles manufactured, as well as all other major consumer products. Additionally, there are very substantial energy savings gained by utilizing scrap material over producing such products from only mined material. We are the original green industry!

These two features of this legislation appear to have been supported by legislators and an administration who pledged to understand how Michigan is to reinvent itself: recycling is the essence of reinvention. Our fourth generation family business started and has remained on our same corner in Lansing since 1886, during the terms of Michigan's 20<sup>th</sup> Governor, Russell Alger and through legislators and administrations ever since. Businesses must survive if Michigan is to thrive.

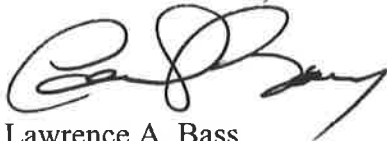
Members of the Committee, it simply makes no sense that the state would want to damage our industry by defying common sense.

During these talks, we have given a lot to aid law enforcement combat metal theft. The two main things they wanted were adding ferrous iron to the law, and also to add imaging (photo or video). We said yes to both of these things without hesitation, and at great cost to our operations.

We are your allies in this effort. We encourage the Committee and the legislature to combat metal theft intelligently – and also at its site, and not burden our small businesses any more than it has, already.

Sincerely,

Friedland Industries, Inc.

A handwritten signature in black ink, appearing to read "Lawrence A. Bass".

Lawrence A. Bass

A handwritten signature in black ink, appearing to read "Randolph A. Rifkin".

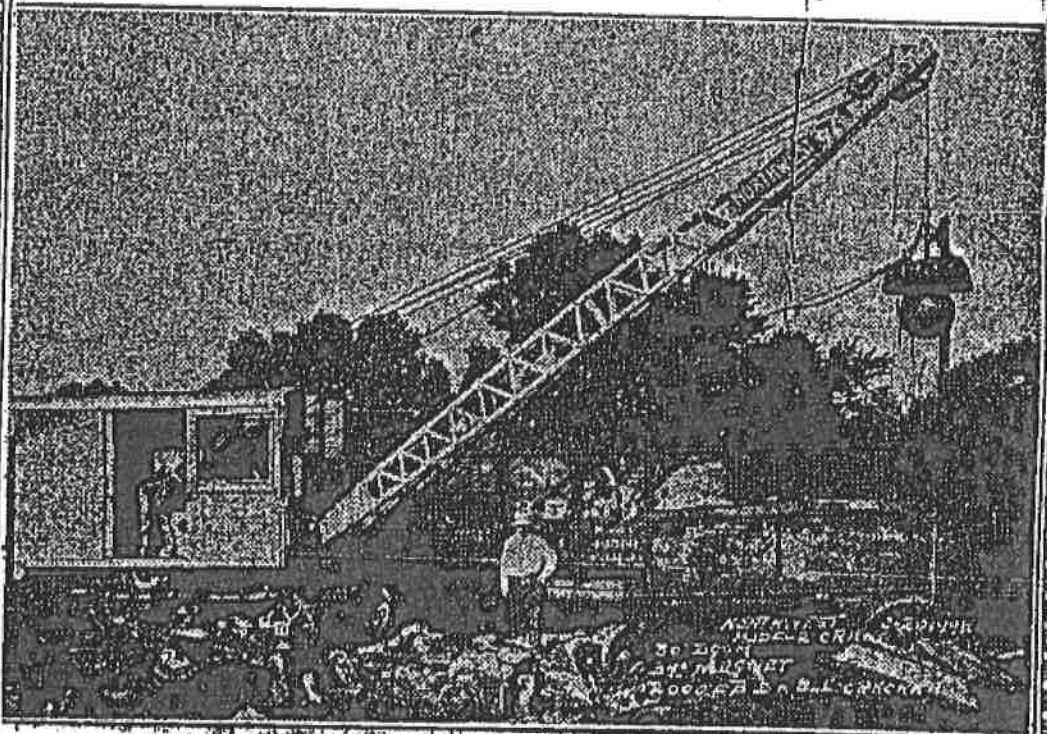
Randolph A. Rifkin

A handwritten signature in black ink, appearing to read "Michael D. Bass".

Michael D. Bass

## *The Next Generation Will Thank Us*

Unrecognized today is the industrial importance of the salvage business. Untold millions in the nation's natural resources are saved every year through the use of the scrap metals gathered by such concerns as the Friedland Iron and Metal Company.



*We take this occasion to thank our friends and customers for  
past favors and wish them a most Happy and Prosperous  
New Year*

# **FRIEDLAND IRON and METAL CO.**

*David Friedland, President*